

# Is the Wine Industry Recession-Proof?

**N**ews of the economic recession has been a source of concern for retailers who are trying to gauge the impact on their businesses. Recent reports point to wine sales statistics that are declining in a pattern last seen in the recession of 2001. This is not to say that sales are in decline; only the rate of sales growth. Indeed, the “State of the Wine Industry Report” by the Silicon Valley Bank’s (SVB) wine division reflects a general optimism in the wine industry about prospects for the coming year.

Wine sales have been on a “long-term and consistent growth pattern since the mid-90s.” Does this confirm the argument that the wine industry is recession-proof? The SVB report answers both yes and no. “People still drink wine, but sales typically drop off... as restaurant sales slow, those wines are then forced through alternate channels.” While it may take some time to reposition product, overall the industry manages to keep growing. Even with high gas prices, a credit crunch, and a weak dollar, wine is still an affordable luxury.

## Economic slowdown

Retailers could experience some slowdown from these recessionary trends. The largest decline in sales will most likely appear in wines over \$15. Price points over \$9 and \$12 are where a typical store’s sales growth will likely occur. These “value wines” and wines over \$100 are expected to be the strongest price categories throughout this cycle.

Another trend for retailers to watch is the decline in sales of imported wines. Two factors are working to push up the price of imports; the weakened dollar doesn’t buy as much abroad and the increased cost of gas is affecting transportation costs, which have a larger impact on imports. There were signs in March 2008 that growth in sales for imports was off a couple of points, a trend which hasn’t affected domestic wines.

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While US wineries have a chance to regain some market share from imports, it is unlikely that domestic prices will come down, as current supply is matched pretty well by demand.

Restaurants tend to be more vulnerable to recessions than retailers. Apparently, more than 60% of meals currently purchased in restaurants are take-out orders. This trend is seen by SVB as a factor in the

shift of some restaurant sales of wine to retail sales. Anecdotal evidence suggests that allocation of wines usually reserved for restaurants are being offered more and more to retailers, which makes sense as a recession usually impacts high-end restaurants more than the rest.

## Click and shop

A recent study by iCongo reports that 33% of online US adults have indicated they are more likely to shop online to save on gas prices. Asked about how they plan to spend their tax rebate, 45% said they intended to make retail purchases with the money, while similar studies have placed the contribution of economy stimulus shoppers as anywhere between 21% and 41% of rebates.

The iCongo survey also identified that these shoppers are attracted to shopping online over a store for the following reasons; convenience, free or discounted shipping, and finding lower prices online.

Riding out this economic storm will take a different course for each store taking into account local factors as well as national trends. However, the news is not all bad, and taken together, the above trends suggest some strategies for retailers to weatherproof their business.

To learn more about how the Beverage Network can help with a website for your store, contact Ian Griffith at (212) 571-3232, or visit [www.bevnetwork.com/retailweb](http://www.bevnetwork.com/retailweb).